Chapter – VI

Summary of the Study Findings and
Policy Suggestions

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SUMMARY OF THE STUDY FINDINGS AND POLICY SUGGESTIONS

“Research is to see what everybody else has seen and to think what nobody else has thought”.

- Albert Szent-Gyorgyi

6.1 Introduction

The current research work is based on both primary and secondary study. In this chapter the findings of the study is arranged based on both primary and secondary source of study. On one hand detailed study of secondary sources helps to make out findings relevant to the topic. On the other hand primary study also helped to find the efficacy of financial inclusion. Based on the findings of the study, separate suggestions have been made for policy implication.

6.2 Findings of the study

The findings of the study are based both on Secondary source of information and primary source of information.

- In India tremendous growth has been found in case of branch expansion under financial inclusion period when compared to pre-inclusion period. Regarding the growth of bank branches in rural areas, landmark change can be seen as it changes from negative growth to positive growth.

- In case of deposit mobilization it is evident that both relating to Number of Accounts (NA) and Amount Outstanding (AO) period-II i.e., financial inclusion period show more growth. In case of rural areas number of accounts show significant increase but amount outstanding show marginal increase. This may be due to economic backwardness and opening of zero or low balanced accounts in large number.

- About credit penetration, Compound Growth Rate (CGR) show improved situation in financial inclusion period compared to pre inclusion period. Rural areas show remarkable change from negative growth to positive growth. This indicates more credit reach to rural areas which is the prime objective of financial inclusion drive. Other areas also show significant improvement under financial inclusion period compared to previous years.
In last five years, from Mar 2010 to Mar 2014, bank outlets in Villages through bank branches increased from 33378 to 46126. At the same time banking outlets in Villages through BCs increased from 34,174 to 3,37,678. In the same period, BSBDA through branches increased from 60 million to 126 million and BSBDA through BCs, has increased from 13 million to 117 million. Amount deposited in BSBDA through branches is increased from `44 billion to `273 billion. Amount deposited in BSBDA through BCs has enhanced from `11 billion to `39 billion. The figures indicate the fact that to reach banking services in rural areas, BC model is found more effective, as rural areas lack basic infrastructure for branch penetration.

Karnataka state under Lead bank scheme shows higher growth in both access and use of banking services compared to India. The study compares three variables i.e. growth of bank branches, total deposits and total credit both for Karnataka state and India. The study evidently shows higher CGR for all three variables in case of Karnataka indicating effective implementation of financial inclusion in the state under Lead bank scheme.

Geographic branch penetration, demographic branch penetration at National, Karnataka State and in Mysore district levels are compared to prove the impact of Lead Bank Scheme operation. The results of ANOVA test indicate Karnataka State under Lead Bank excel National level. At the same time, Mysore district under Lead Bank Scheme excel both the State and National level, both in geographic branch penetration and demographic branch penetration. This signifies the effective role of Lead Bank both at state and district level.

Regarding the role of Lead Bank in financial inclusion, the primary study found that Lead bank plays coordinating and monitoring role to carryout financial inclusion in the district. Among the respondent banks, 90 per cent agreed about the effective role Lead bank in the following issues.

- Regular support from the Lead Bank in Financial Inclusion operation.
- Lead Bank assistance to branches in the process of financial inclusion.
- Road Map provided by the Lead Bank to operate on financial inclusion.
- Monitoring of the activities undertaken to achieve financial inclusion.
• Motivational role played by the Lead bank in financial inclusion operation.

Banks face hurdles while implementing financial inclusion. Based on the response from the banks about different hurdles, the findings are listed below:

• Regarding high opening and operational cost of BSBD accounts only 44 percent endorsed the opinion and at the same time 56 percent deny the opinion as they found increased number of accounts will widen the base of depositors, which will have positive impact in future.

• Regarding lack of adequate staff, lack of assistance from the Government, heavy work load, lack of consumer awareness, improper loan repayment by the customers, 70 per cent of banks respondents responded positively. These are the major hurdles faced by the banks while implementing financial inclusion measures.

• Regarding lack of technology and necessity of additional time to handle BSBD accounts, majority of bank respondents deny the opinion. Majority of them satisfied with the technological support provided by corporate BCs like ‘Integra’ in the district. Some officials complained about lack of timely support from corporate BCs.

Among four hundred BSBD account holder respondents, 74.25 per cent respondents were between 26-50 active age groups to whom bank account is essential for smooth functioning of their transactions.

Among four hundred BSBD account holder respondents, 56.5 percent were male and 43.5 per cent were female giving good representation to both genders belonging to different categories.

Regarding the education level of respondents, as BSBD account holders belong to marginalized poor section, education level is low. Among 400 respondents, 50.5 per cent are illiterate, 31 percent had only primary education. Low education level is a hurdle to achieve financial inclusion.

In category wise classification of respondents, 21.75 per cent belong to General category, 50.75 per cent were in SC/ST category, 26.5 per cent belongs to OBC section, and 1 per cent minorities. Among the respondents, more than 75 per cent belong to backward and weaker sections. This is also one of the reasons for their hitherto financial exclusion.
Among 400 respondents, 87.5 per cent live in nuclear families. This indicates even in rural areas nuclear families are preferred and majority of the families are small families. As financial security is less in nuclear families necessity of bank account is more.

As the study area is at village level, naturally occupational structure of respondents shows that 89 per cent respondents depend on agriculture and allied occupations, indicates that even now dependency on agriculture is more in rural India.

Among the agriculturists, 79 per cent respondents owned land but most of them are marginal farmers owning dry land. Ragi is the major crop. This indicates economic backwardness of account holders.

Among 400 respondents, 96.75 respondents hold ration cards and among them, 92.5 per cent are BPL card holders. Large number of BPL card holders implies new entrants to formal banking sector that is BSBD account holders, belong to poor category. And poverty is one of the major reasons for financial exclusion.

Among the 400 respondents, 82.5 per cent of respondents are daily wage earners and 11.5 per cent people get income weekly. Most of the families have only one earning member. These figures indicate that majority of respondents though they are land owners earn their livelihood through daily and weekly wages to meet their ends.

Regarding the family income of respondents, 45 per cent have below ` 2000 per month, 39.25 per cent have income ` 2000 to ` 5000 range. This clearly indicates majority of BSBDA holders belong to poor category.

Relating to the average savings of respondents, 67.5 per cent save less than ` 500 per month. 20.75 per cent respondents save ranging from ` 501 to `1000, 8.75 per cent save `1000 to `2000, and only 3 per cent save more than `2000 per month. As the respondents have poor economic background, low level of income has adverse effect on saving ability of respondents.

Before financial inclusion nearly 50 per cent of respondents’ kept their meager savings at their home. Money as liquid cash at home is more often used for meeting the expenditures whenever the need arise.
Among the respondents, 32 per cent save with intention to face uncertainties, 15 percent for medical expenditure, 2.75 per cent for providing education to their children, 14.75 for marriage expenditure and 10.25 per cent to repay loans. The above information illustrate most of the people save to meet unforeseen expenditure. In our social system conducting marriage is expensive. Meeting medical and education expenditure are the other reasons of importance for savings.

Friends and relatives constituted 38 per cent of the source of credit before financial inclusion. This indicates strong social dependency of Indian society. From Money lenders 29.75 per cent respondents borrowed money. This is due to easy access. 17 per cent respondents received money from Cooperative societies, 12 per cent of respondents specially women folk got help from SHGs, 3.25 per cent got money by selling gold at the time of distress.

The reasons for not having bank account earlier, 61 per cent quoted the reason as not having surplus money or lack of savings, 18.5 % as lack of awareness, 13 per cent as lack of advice, 7 per cent as long distance to bank branch. The data indicates lack of money as the main reason quoted for not having account. This is because majority of respondents belong to marginalized poor section with meager earnings.

Under financial inclusion drive, 75.75 per cent accounts were opened in banks, 9.75 in Post Offices, 9.5 per cent in Co-Operatives, 5 per cent in RRBs. The data indicate financial inclusion efforts through Commercial banks are effective is supported by Co-Operatives and Regional Rural Banks.

Among the respondents under financial inclusion, 94.5 per cent received help to open the account. As poor people of rural India are unaware of access and benefits of financial services, helping hand is required to guide them to get their rights.

Regarding the help received to open the account, 29.75 per cent respondents got the help from friends and relatives, 29 per cent from Government officials, 25.5 per cent people from bank personnel, 13.25 per cent from SHGS, only 2.25 per cent from media sources. In Indian social system bondage and influence of friends and relatives are more. The advice from them has significant influence to open the account. In the second place, the advice from
Government officials for receiving Social security payments and NAREGA payments delivered through bank accounts worked out.

- Regarding the purpose of opening the account, 63 per cent respondents opened accounts to receive NREGP payments, 24.25 per cent respondents intended for saving money. 7.75 per cent for availing loan at the times of need. Only 5 percent is for safe keeping their money. The data indicates majority of poor open accounts to receive DBT payments. Government makes efforts to reach the people and help them to overcome poverty by opening the account and providing employment. The other reason for savings is to get safe custody for their savings.

- Regarding the time taken to open the account, 54.25 per cent of respondents said that it took a week after submission of application form. 21.75 per cent told it took one month, for 14 per cent a fortnight, and for 7 percent more than a month. As financial inclusion is one of the agenda of banks, they open BSBD accounts on priority basis without much delay.

- Among the respondents, 64.5 per cent did not face any problem to open the account. 35.5 per cent faced problems like difficulties in filling the application, language problem, identity problem and indifferent attitude of bank personnel. The information reveal that majority of BSBD account holders does not face any problem to open account as financial inclusion is the policy priority of banks.

- The success of financial inclusion depends on both access and use of bank accounts. But information collected reveals 60 per cent of respondents are not operating the accounts regularly. If the opened accounts are not operated, the very purpose of opening account is defeated.

- The reason for not operating the account regularly, 79 per cent of respondents quoted the reason as lack of money. 13 percent as lack of interest, 8 per cent feel that there is no necessity. As majority of respondents are in the category of below poverty line, insufficient money is the main reason for not operating the account. Some respondents lack interest and necessity to operate the account as their earning is just in the level of hand to mouth.

- Regarding the banking facilities obtained from banks, 42.25 per cent used for withdrawing the amount, 35 per cent of account holders use the accounts for both deposit and withdrawal purpose, 16.5 per cent for receiving credit, 6.25
per cent for remittance purpose. As majority of respondents opened account to receive NAREGA payments, withdrawal is the main service availed by them. For the reasons like procedural barriers, sanctioning time, requirement of collaterals etc still bank loans are not popular among poor account holders.

- Among the respondents only 33 per cent availed loan from banks and 67 percent had not. This information reveal that still banks have not gain the confidence of poor people. Bank loan is not popular among poor people because of easy, hassle free availability of alternative sources.

- Among the respondents who availed loan, 52 per cent considered the main purpose is for meeting the emergencies. 29 per cent for consumption purpose. Only 13 per cent opted for production/business purpose, 5 per cent for other reasons. The information shows as respondents are economically poor, in case of emergencies it has become inevitable for them to raise loans. Another major reason is availing loan for the purpose of consumption. It is clear that major portion of loan taken by the respondents is for unproductive purposes.

- Insurance service provides security to account holders. Among the respondents only 31 per cent availed this service. The information clearly indicate majority of people lack insurance service. Currently under Jan-Dhan Yojana government is making efforts to cover majority of account holders at very low rate of premium.

- Among the respondents who availed insurance facility, 50.8 per cent availed life insurance, 23.3 per cent livestock insurance, 14.5 per cent availed crop insurance and 11.2 per cent availed health insurance. This indicates people are aware of life insurance and regarding other forms there is need to create awareness and popularize. Encouragement of insurance products among BSBDA holders to enhance the social security is much needed as lack of economic and social security is the main characteristic of poor people.

- Regarding the awareness about micro finance institutions, among the respondents 63 per cent are aware of micro finance institutions. Only 37 percent respondents have no knowledge about these institutions. The data indicate though majority of people have knowledge about MFIs, still there is the need to extend the reach because these institutions can provide hassle free, needy finance to economically weaker sections.
Among the respondents who are aware of micro finance, 69 per cent availed micro finance facility. 31 per cent did not avail the facility. Among them, 45 percent received help from SHGs. SHGs are becoming popular among women folk as it provides them a place to save and get loan whenever required.

Financial literacy creates awareness among un/low educated rural masses. Regarding financial literacy, 69 per cent respondents positively responded that they received help. Only 31 percent are unaware of this. It is a good sign to promote financial inclusion.

Regarding the type of help, 42.18 per cent got relevant and comprehensive information about financial products. 22 per cent got rational guidance to budget the available money, 6 per cent got the help to plan for future. 13.5 percent got the help for resolving the risks. This information indicates that under financial literacy campaign the account holders are receiving necessary help and guidance.

Among the respondents 91 per cent found BSBD accounts are useful. The information indicates change in the attitude of people regarding opening and using bank account.

Regarding the rating of service provided by bank branch in which they have account, 78.5 per cent respondents rate it as good. 11.25 per cent as very good. 3.75 per cent as excellent and 6.5 per cent as not at all good. Over all it shows that the BSBD account holders are receiving good service from the banks.

### 6.3 Suggestions and Policy Implication

- Achieving universal financial inclusion is the goal of Government of India. But at this juncture with available infrastructure opening account to each and every one will pressurize the banks. At this situation banks can concentrate on opening one account to each household. It is more appropriate, unless the family require more number of accounts.
- If the Government is insisting on opening account to everyone, then at school level itself bank account may be opened for every school child above 12 years and that should continue throughout their education. In India as compulsory primary education policy has been adopted, this measure will help to include large segment of future generation into the banking system (like TC, Bank Account number can also be made compulsory). School fee can be remitted
through accounts and scholarships and other transactions can be made compulsorily through the account.

- Like mobile number portability, the feasibility of account number portability between different banks may also be examined. Provision of Financial Identification Number as it exists in Indonesia will help in maintaining reliability in identifying a person similar to other documents like Adhar card, PAN card, and driving license.

- Bank branches must help customers in the use of technology in banking. While conducting customers meet and customer’s relationship programme, emphasis must be laid on the usage of ATMs, KIOSKs, Green Channel Counters, and Internet Banking at regular intervals. Technology driven products must be simple and user friendly. Technological advancement not only helps customers but also reduce the work pressure of banks.

- As number of cell phone users are enormously increasing, Mobile banking is the best method which has highest hidden potential to extend financial inclusion. More attention should be given for popularizing mobile banking.

- Based on the prime economic activity of the area that may be agriculture, weaving, sericulture etc timings of the credit and customized credit products should be delivered to meet the requirement of account holders.

- To expand its customer base and business, Banks need to offer more products and services based on market demand and local requirements which in turn helps to enhance efficiency and achieve economies of scale.

- The main problem related to BSBD accounts is existence of large number of inoperative accounts. To overcome this problem incentives and conditions can be tagged to operative and inoperative accounts respectively. For example: Currently PMJDY tagged the clause of satisfactory transaction in the account for minimum 6 months for overdraft facility.

- To reduce the cost of providing services banks and other organizations may share the infrastructure among themselves.

- As India is the country of villages, instead of opening branches which are economically not viable, more attention should be given to provide banking services through alternative methods like deployment of BCs, opening of ultra small branches, mobile banking, banking through mobile vans, and banking services through kiosks depending on requirement.
➢ Each major bank should have at least one financial inclusion branch in every district to look into the matter holistically to reach the goal of 100 per cent financial inclusion and sustain in future.

➢ More involvement of private sector in the process of financial inclusion will widen the scope of inclusion of excluded section of people. Public-private partnership can be effectively tried to reach the goal of 100 per cent financial inclusion.

➢ Access to formal financial institutions through informal groups found more beneficial to reach weaker sections at rural and remote areas. More attention to this will enhance the access to formal financial institutions. SHGs, JLGs, Farmer clubs are found effective in reaching marginalized groups within their limited capacities.

➢ Efforts in the direction to provide banking access to physically challenged people is very much needed. Where ever possible banks may have ramps; non-slippery flooring, use of Braille language and default speech with transactions in ATMs, to meet special needs.

➢ Banks have social responsibility in carrying out financial inclusion. But without Government support it is difficult to manage additional responsibilities. 78 per cent of respondents of banks feel that Government support is looked-for to carry out the financial inclusion drive. Central Government and NABARD only reimburse capital expenditure, not the recurring expenditure. Central/State Governments can reduce the burden by compensating the additional costs incurred by the banks. Additional infrastructure support, Technical and financial support is needed to further financial inclusion drive.

➢ Though positive reaction came from bank respondents regarding technical support, some respondents pointed out that service providers lack modern technology which reflects in delay in service and high cost. Steps can be taken for further technical advancement to enhance efficiency and outreach.

➢ Rural areas face difficulty in connectivity of internet service. One bank official said in lighter way that sometimes BCs of his bank has to climb the tree to get internet signals to do banking operations. This situation needs improvement.

➢ The study reveals that banks are over loaded with duties and pressures on them and they are burdened by continuously increasing work load of all the
Social security payments, direct beneficiary transfers, employment guarantee payments, poverty eradication measures. All these enhance work pressure on existing banks and that may reduce their work efficiency. Government should look at alternative possibilities like using the services of post offices and Gram Panchayats for allocating some responsibilities.

- Primary information collected from respondents reveal rearward socio-economic status is the prime reason for financial exclusion. Adequate attempts have been made to improve bank access. Equal or much more importance should be provided to capacity building measures to enhance their economic entitlement. Then only financial inclusion will become successful.

- The collected information discloses direct relationship between illiteracy and financial exclusion. More intensive measures to enhance literacy that too financial literacy is needed to further financial inclusion in right direction.

- World Bank working paper by Demirguc-Kunt and Klapper (2012) recognize ‘Not enough money’ as major barrier for not having an account. The present study also found ‘No surplus Money’ is the main reason for not having account before financial inclusion. Therefore economic empowerment through income generating activities is essential for the success of financial inclusion.

- The information reveals 67 per cent of BSBD account holders are not getting credit from banks. There is an urgent need to educate and simplify lending procedures to support account holders. Then only poor and priority sectors get adequate credit. At the same time credit provision, without adequate measures to create livelihood opportunities and enhance credit absorption capacity among the poor will not yield desired results.

- To enhance economic security and to reduce vulnerability of poor through insurance coverage, the banks need to popularize different types of insurance products; banks must provide wide publicity and encouragement.

- The collected data indicate SHGs are very effective, as saving groups. While collecting data, some SHG members said that major changes had taken place in their lives after becoming the members of SHGs. Their economic status and confidence level has improved after becoming members. More attention and attempts in this direction will definitely have positive impact on financially included people.
6.4 Limitations of the study

Though the present study examines the major attempts carried out at national, state and district level, it only tests the efficacy of financial inclusion at micro level on account holders at Mysore district. While examining the access and use of bank services under financial inclusion, the study does not consider the impact of other changes like change in income level, change in price, change in economic condition, change in employment opportunities etc., which may have impact on access and use of bank services. While collecting primary data for the study, it is limited to rural areas and considers only 400 samples as representative population. And while collecting data from the banks the study restricts itself to the regional offices of the major banks as representatives of corresponding banks. At Lead bank level, the study is suffered due to inadequacy of time series data related to some significant indicators of financial inclusion.

6.5 Issues for further Research

Financial inclusion is a current topic of relevance and has scope for further research. The issues recommended for further research are:

- Along with banks, Non Bank Financial intermediaries can also play major role. Serious study regarding this can be taken.
- To sustain financial inclusion leveraging on technology is essential. Technology driven financial inclusion can be considered for further research.
- Financial inclusion has influence on development indicators. Relationship between Financial inclusion and Development Indicators can be thought-out for further research.
- Financial literacy as a need to hasten financial inclusion can also be considered for further research.

6.6 Conclusion

In India, financial inclusion is an incessant journey aiming at connecting people with banks for its consequential benefits. This is to mainstreaming the marginalized sections to achieve inclusive and participatory development of the economy. The potential for growth is enormous if we unlock the potency of poor people, rural areas, primary and SME sectors. In India RBI had chosen the bank-led
model for financial inclusion leveraging on technology. Along with attempts to expand bank access, utilization of bank services is of utmost importance. Attention to capacity building measures with financial literacy help for optimal use of bank services. Lead Bank Scheme has been introduced to overcome the hurdles of increasing relative poverty, economic and regional disparities. Lead bank as consortium leader coordinates the activities of banks in the district allotted to it. The present study emphatically proved the significant role of Lead Bank in expanding bank access and use among rural poor and positive impact on BSBD account holders by improving their economic, social and general condition.